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The Official Organ of the NATIONAL RETAIL CREDIT ASSOCIATION



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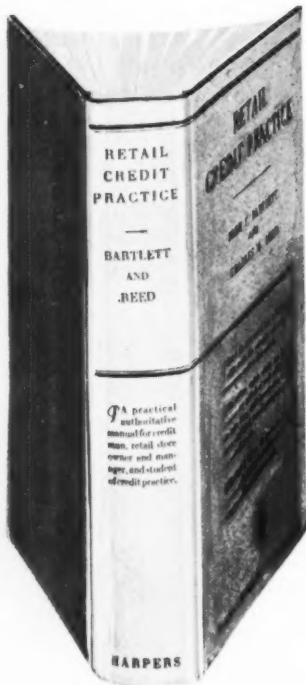
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VOL. XVII—No. 5

JANUARY 1929



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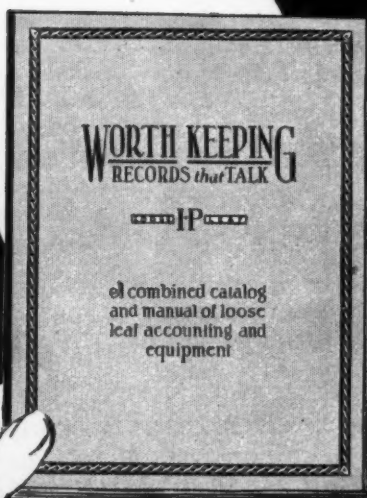
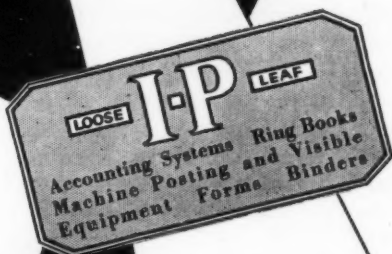
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THE CREDIT WORLD

OFFICIAL MAGAZINE

OF THE

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VOL. XVII

JANUARY 1929

No. 5

CONTENTS

Page

Editorial *D. J. Woodlock* 3

The Use of the Central Credit

Bureau *R. S. Martin* 4

An International Credit Com-

mission *Guy H. Hulse* 7

What Kind of a Credit Man-

ager Are You? *Robert O. Bonner* 8

Why We Are Exploring the

Mysteries of Retail Credit... *Neil W. Brown* 11

(An interview with D. J.
Woodlock)

The Future of Retail Credit... *Richard M. Neustadt* 13Sureties and Guarantors *Leonard H. Muller* 20

A Good Collection Manager

Helps the Debtor *W. R. Thygersen* 25Washington Bulletin *R. Preston Shealey* 29

Flashes 31

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PUBLISHED MONTHLY AT 1017 MORGAN ST., ST. LOUIS, MO.

BY

GENERAL PUBLISHING COMPANY

EDITORIAL OFFICE

606 EQUITABLE BLDG., ST. LOUIS, MO.

DAVID J. WOODLOCK, Editor

GUY H. HULSE, Asso. Editor

Back Issues: When available, at 25c each.

Binder: Handsome cloth binders, with the name of the magazine and special design beautifully embossed, holding a year's issue, are for sale to subscribers at cost—\$2.00 postpaid.

Credits and Collections the Big Problem for 1929



THE Retail Ledger, a news magazine published in Philadelphia, asked a large number of retail store executives to answer the question "What are the big Retail problems for 1929?" A tabulation of the replies placed Credits and Collections at the top of the list as the most important with Cost and Distribution in second place and Chain store competition away down in ninth place.

The National Retail Credit Association has for years told the Retailers of the country that the increasing use of Consumer or Individual Credit and its importance as a Sales feature of modern retailing made necessary the development of a highly efficient Credit Department *in charge of a trained executive* and urged the establishment of a Community Credit policy among Retailers so as to eliminate the abuse of the Credit Privilege and promote the prompt payment of accounts.

1928 was a successful consumers' Credit year, more individuals than ever before availed themselves of the privilege of a charge account which proves our oft repeated statement that Credit has become a universal medium of exchange. Retailers members of the N.R.C.A. supporting a community-credit policy and a central credit bureau or Clearing house for Credit information have no worries about this increase because their turnover in collections has not been reduced and their percentage of Loss has not been increased.

The replies received to the Retail Ledger's inquiry indicate a fear that accounts receivable will become a liability and not an asset due to slow collection turnover. This is most interesting and an evidence that at last there is a realization that there is a profit vanishing point in accounts receivable, but the remedy is not a curtailment of a lenient credit policy. It is the adoption and enforcement of a respect for Terms which means prompt collections. This can be secured only through organization. It might be well for those who

express such fears to study the work of the N.R.C.A., fall in line with its policies and become active in its work.

All signs point to continued prosperity, employment is general, good wage scales are maintained and regardless of all the money put into stock speculation the Savings Banks report an increase of almost 8% during the year and a total increase for ten years of 113.5%. There is \$28,400,000,000.00 deposited in Savings Accounts by 53,000,000 persons which indicates thrift and stability.

In our opinion the chief contributing factor to our prosperity is the Retail Merchant who through the intelligent granting of Credit promotes Sales to consumers which of course reflects itself back to the Wholesaler, Manufacturer and Producer. It would be unwise to curtail Credit to such an extent as to severely effect this volume of business because it would slow up Commerce all down the line. But it is wise to insist upon those who avail themselves of the Credit privilege paying in accord with terms so there may be no waste in interest on outstanding accounts and a tie up of working capital.

The only fault with Retail Credit extension is slow collection turnover and the remedy for that is to remove all thought of competition among Retailers as regards their Credit department and inject in their spines the doctrine of Sound Credit extension which will cause them to have back-bone and insist upon settlements in accord with terms and stand squarely with every merchant in their community in educating their customers along these lines. To this policy the National Retail Credit Association gives its support during 1929.

The Use of the Central Credit Bureau

By R. S. MARTIN, Manager-Director
Retailers Credit Association
San Francisco, Calif.

A lecture delivered before the "Institute of Retail Credit" conducted by the Associated Retail Credit Men of San Francisco, Calif.



be compared to a bank in which you deposit information and likewise draw information on application, the information which you receive be-

A WELL beloved Bishop in the South, while traveling on a train, was unable to find his ticket when the conductor appeared. His absentmindedness was widely known, so the conductor waited a moment and then told the Bishop that he would stop again on his way back, which he did. He found the Bishop still fumbling in all his pockets looking for his ticket. Finally, the conductor said, "Well, that's all right, don't bother." The Bishop replied, however, "But I must find it in order to know where I am going."

DO WE RETAILERS KNOW WHERE WE ARE GOING? Institutes like this, and analysis and study, are constantly under way in order to endeavor to chart our courses and determine just where we are going.

You have all heard during the previous three sessions of this Institute a great deal of the economics of retail credit and its relationship to selling—consequently, the background has been well developed. We now come to the mechanics involved in the handling of the vast volume of retail credit applications which originate in and emanate from your various Credit Departments. Your Credit Bureau might be compared to the hub of a wheel receiving information from innumerable sources, recording, and transmitting it to hundreds of subscribers, since all credit applications of the combined stores must flow through this one channel which is the central office for the depositing and dissemination of credit information. Or it might

ing commingled with that received from numerous resources, similar to the funds of a bank. That's where we fit into the picture. Do you realize the vast network of co-operative institutions there is which exist for furnishing reporting and collection service to retail merchants? Your Bureau is the only member in San Francisco of the **CALIFORNIA ASSOCIATION OF RETAIL CREDIT BUREAUS** comprising some 76 Bureaus in as many communities in this State, which is affiliated with the **NATIONAL RETAIL CREDIT ASSOCIATION** so that unless a California

Bureau is accepted and approved by our State Association it cannot be eligible for membership in the National Association. Your Bureau is also the only San Francisco member of the **SERVICE DEPARTMENT** of the **NATIONAL**





RETAIL CREDIT ASSOCIATION now consisting of over 1000 Retail Credit Bureaus throughout the United States, Canada and Europe; at the present moment the National Association is about to accept as members two chains of highly developed merchant owned Bureaus in Continental Europe and the British Isles which will

bring the total membership to over 2000, giving us closely affiliated reputable channels for the securing of authentic and reliable credit information which are practically world-wide. These Bureaus have been organized and developed to render service to you Credit Managers. When merchants, each in his own community, loyally support their local Bureaus by clearing every name through them and thereby depositing this valuable information for the benefit of all, and also place their claims for collection so that this pertinent data is likewise recorded in the credit files, it should be readily apparent how all will profit thereby, regardless of from what point credit information is desired. This is particularly pertinent in San Francisco because of the increasing population due to the

influx of newcomers from various parts of the country.

It is interesting to trace the origin and development of Credit Bureaus. When retail credit first commenced to be used merchants communicated directly with each other in order to clear references. As the use of retail credit became more prevalent, the answering of constant inquiries from numerous sources became a decided burden so that finally some alert person conceived the idea of a central office in which

to gather all this information and systematize the handling of credit reporting. The first known Retail Credit Bureau was privately owned; consequently, the example was followed by various other enterprising individuals until in the course of time there were quite a number of privately owned Credit Bureaus in the larger cities. If my information is correct, our Bureau is one of the first five Credit Bureaus established in this country, and it was privately owned until 1915. As the years passed and credit became such a tre-

mendous factor in retail merchandising, the merchants began to realize that, for their own protection, it would be wise to safeguard this vast accumulation of credit information which they were depositing in these Central Bureaus. Consequently, they gradually began to form their own, and in many instances acquired previously privately owned Credit Bureaus in order that they would always have control of the invaluable information they were furnishing for each other's benefit to the central office, so that now a merchant owned Credit Bureau's files really represent a community fund of vital ledger and antecedent information which is accessible to all reputable merchants on exactly the same conditions and under uniform service rules, regardless of whether Bureaus may be owned by a distinct group of merchants, or what is known as "membership owned."

Approximately 90 per cent of the Retail Credit Bureaus in this country are now merchant owned, the division being almost equal as between those owned by a



limited group of merchants with the files accessible to all reputable retailers and those known as membership owned.

WHY IS IT ESSENTIAL AND NECESSARY THAT ALL NEW ACCOUNTS BE CLEARED THROUGH THE BUREAU? The answer is obvious. Your Credit Bureau is a community enterprise, merchant owned, in which, for self-protection, all merchants should deposit their information because unless the Bureau is actually made a mutual, protective Bureau—which is the primary purpose of its existence—each merchant suffers. If only a portion of the merchants clear their credit applications through the Bureau and the others endeavor to exchange information circumventing the Bureau, much valuable information is withheld from the merchandising community as a whole, and the very merchants who lend themselves to such a practice would be the ones to complain the loudest if when they did secure a credit report

through the Bureau vital information should be lacking from other stores in whose trade experience they might be interested.



Unless all merchants deposit their ledger information with the Bureau credit reports will always be lacking essential information. In other words, the more you put into a Bureau collectively, the more each one of you draw therefrom individually. Consequently, the depositing of this information in the Bureau files pays big dividends.

THE NEXT POINT REGARDING THE IMPORTANCE OF PROPER INVESTIGATION, I will not cover from the standpoint of the Credit Manager because you are all well aware of the necessity for securing every possible item of information regarding credit applicants, since the old truism, "An account properly opened is an account half collected," should always be borne in mind. At the time when people are asking a favor is the psychological moment to secure all possible data about them. Therefore, when a person seeks credit is the opportune and proper time to ascertain every possible item of information, which can easily be done if the interviewer is tactful, since the applicant should be properly impressed by the interviewer with the fact that credit is a service and accommodation which, to be established, justifies the merchant in knowing exactly who his customer is and his or her ability and willingness to pay. Unless this information is secured at the time when the application is being taken it is embarrassing and often impossible to request it later. I have mentioned these points only because the Bureau is vitally interested in securing from you essential identifying information since in compiling a credit report the Bureau verifies the information which you present and also develops all additional information possible to secure. Frequently a store which does take applications in the proper manner, securing a great deal of information, does not furnish the Bureau with all of it on the inquiry form. This is not proper, and such a store cannot expect the best service from the Bureau because it retards and delays the completion of the report. For instance, why do we constantly stress securing the full given name and not merely initials? Realize that we have approximately one million names in our files and even uncommon names appear frequently therein—it is, therefore, essential, in order to identify properly subjects under inquiry, that we have full names, addresses, approximate age, occupation, store and bank references, and personal references. Greatly depending on the judgment and tact of the interviewer when establishing definite connections between relatives in instances where the mother or father is given as reference, or other circumstances which might warrant asking the maiden name, if the maiden name of applicants for credit is secured a valuable identification is established, for frequently the store will have already had the account and also the Bureau very often will have a complete file on such person which might not otherwise be disclosed. Interesting, though unfortunate, incidents arise, convincingly proving that if the stores will furnish us the proper

basic information we can render much better service. Recently an instance came to my attention where inquiry was made regarding a person we will call John Jones whom the inquiry showed to be working for a certain firm. We developed a report on the party, only to learn that two men with identical names had worked for this same firm for some twenty years, one in a minor position and the other in an executive position. There was nothing on the inquiry to indicate the approximate age of the applicant or what his position with the firm might be. It happened that we had file information only on the one occupying an executive position, whereas the seeker of credit really was the other party, and some confusion was caused due to the store not having supplied us with proper identifying information which it had in its possession. We are not infallible, though we have developed a stable organization of trained personnel and are constantly striving to decrease errors to an irreducible minimum, and when you realize that we average over 16,000 reports per month the percentage of error entirely our fault is infinitesimal. However, I am frank in saying that it is impossible for us, even with highly trained and competent personnel, elaborate equipment, and painstaking efforts, to reach anywhere near the degree of perfection toward which we are aiming unless our subscribers awaken to consciousness of the fact that our functions are absolutely interdependent.

THE IMPORTANCE OF SUPPLYING FULL AND ACCURATE INFORMATION has already been stressed so far as basic identifying information is concerned. There is another exceedingly essential factor to be considered, namely, the furnishing of ledger experience when clearances are requested by the Bureau. Your aid in supplying accurate trade experience to the Bureau is absolutely indispensable, for you should realize that without a constant flow of accurate trade references no Bureau could long function. We could develop antecedent information, but would you be satisfied with a credit report completely lacking in ledger experience? Of course not! It is absolutely necessary that each retailer assign a competent clerk to regularly handle trade clearances received from the Bureau in order that your actual trade experience with customers is reported to the Bureau. Competent clerks should analyze your accounts when answering our trade references so that correct ledger information always will be reported to us. Frequently one store will give us two or three contradictory clearances on the same customer within a period of a few days, which not only causes confusion and embarrassment to the Bureau but likewise frequently results in an injustice being done to your customer who has used you as a reference if, through erroneous trade clearance, the account is declined by the inquiring store. Also, very often the store making such an error in a trade clearance frequently loses a good customer because of such error since the customer often learns which store has incorrectly reported his or her

Turn to page 24, please



Modern methods of travel have practically eliminated national boundary lines.

An International Credit Commission

By GUY H. HULSE, Secretary
National Retail Credit Association

WE, who have spent years in the retail merchandising business; we, who have invested our money or time, or perhaps both, in that business; we, who have been intimately associated with its every phase may sometime, through that very intimacy and close association, develop a warped and narrow outlook on business in general.

Business to be properly understood, must be considered as a sweeping movement—a world wide inter-relationship—a relationship wherein the countries of the world are dependent on each other. The price of wheat received by the Kansas farmer may and usually does depend on climatic conditions in Russia and the Argentine.

I shall not forget an old professor, a professor of history, who used to say, "History is one grand international movement." See the relationship. Remember that while Hannibal was leading his Carthaginian Hoards over the snow clad peaks of the Alps, that certain other influences were at work in China, in Egypt, in India, in Greece, which have left just as profound an impression on civilization as did that exploit of Hannibal's. So it is with business. While the New York Stock Exchange has been witnessing unprecedented activity, while prices have soared to unparalleled heights, certain other things have been happening in England, in France, in Germany, in Brazil. These things must likewise be understood and correlated if we are to have a proper understanding of business even from a narrow national standpoint.

With a nationalistic outlook, we may at times be inclined to think of our business methods and policies as being superior to those used elsewhere, when the fact is they merely fit our conditions better and

are the result of a gradual process of evolution. Especially is this true in credit and more particularly in the special field known as Consumer Credit.

Sometimes we may think of ourselves as being the only folk with a proper conception of the wealth producing power of properly directed credit. Sometimes, too, we may think that we are the only folk thinking in terms of constructive credit conscience. The first step in the development of a National Credit Policy.

Recently there visited the National office, a man who has direct charge of and supervision over all of the Credit Bureaus of Great Britain, who has intimate contacts with all of the Credit Bureaus of Continental Europe. This man traveled two thousand miles by water and thousands of miles by land in order that he might study intimately and at first hand, Credit Bureau practices and procedure in the United States and Canada.

This man is internationally minded. He sees beyond the narrow confines of his own country. He sees business as a sweeping world wide movement. He sees that an infectious spot in one country may become a menace to all.

It is around men such as he that an International Credit Commission can and should be built—a Commission so broad in its personnel, that it will embrace every branch of modern business from the manufacturer to the producer of raw material. A commission that will be appointed by and to represent every country now doing business on the gold standard basis.

It is impossible to over estimate the tremendous good that would accrue to the nations of the world,

Turn to page 26, please

What Kind Of A Credit Manager Are You?

By ROBERT O. BONNER, Credit Manager
L. S. Ayres & Co., Indianapolis, Ind.

1. *Am I or am I not a good credit man?*
2. *If good, what have I done to prove it?*
3. *If not so good, what next?*

THE yardstick of "Credit" measurement is full three feet of ability and achievement, identical with Merchandising or Selling. The credit man's training should be just as thorough, his ideas just as big and his ambitions as high.

Wasn't it only yesterday that the Retail Credit Department was a sort of "stepchild" in the business family—a necessary evil and incidentally to be "stepped on"? But let's forget its humble subservient days and undeveloped ways—it is full grown now and a real factor in business with a real responsibility. It has not been by magic or legerdemain that Credit has found its way to the front but inevitable that, through sheer force of basic principles, it would prove itself worthy of a high place in finance. But because of rising importance Credit should not take itself too smugly. It should be just as continuously amenable to progress as its fellow functionaries.

The little business of thousands of yesterday is a big one of millions and billions today. The obscure Credit Department, just a stripling yesterday, is a big one today—a recognized unit and one of the organized thirty-five thousand strong throughout the country. There is an obligation imposed on the Credit Executive to develop his Department, through individual effort and co-operation, into a "Business Getter and Business Holder." So let's take an inventory of departmental assets, working capital so to speak, and figure out just what we can

contribute to the general success of the "House." Organization starts us off—how much of it have you? Whether a one or fifty man department, it should be on the store map, clearly designated by proper signs, easy to get at, dignified in approach and not flanked by unattractive units. The first impression of the new customer is lasting and let it be a

good one, a proper introduction to the merchandise and service of the house.

Consideration of "layout" is the next step. A logical sequence of divisional location will save time and space to say nothing of improving appearance of an office. Clearly define and hold thereto the working territory of your various offices—Collection Department, Authorizing Division, general clerical, etc. Don't invite confusion by making it necessary for personnel to go through another department to get to or work in a division of their own.

When one talks Personnel, the very heart of business is involved. The square peg in a round hole idea should be a framed one on every Credit Executive's desk. Given a half dozen misfits in any office, it is possible through close study of the individual and a realignment of duties, to correct such a situation. You cannot give

this phase of credit work too much thought. Misjudgment in hiring is pardonably common, but yours the responsibility in perpetuating the misfit.

It is assumed of course that every Credit Executive is sold on the theory of preparedness, but just how enthusiastic is he in his efforts to sell his house on the



Am I or am I not a good Credit Man?

necessity for up to the minute equipment, methods, etc. The work of an efficient assistant or clerical is often nullified if he has to work with an antiquated machine or system. By the same reasoning Service to the Customer is crippled. There may be a question as to merit of the unit or dual system of bookkeeping, but the installation of either should be of the very best, the very latest. Authorizing systems are engaging more serious attention than ever before—the thought in back of it all is to get the quickest possible O. K. on charge transactions and to release the salesperson for a greater number of sales. Store conditions and policy may permit of just one system of authorizing. The telephone is in the ascendancy in very recent years—the Tube System, however, functions splendidly, especially in deliveries and allowing, when properly safe-guarded, a successful operation of the new development in authorizing, the “Drawback.”

Where possible, the efficacy of a dual system of authorizing, telephone and tubes and arranged in close proximity, is undeniable. Representing a house using it, such dual equipment is unqualifiedly recommended as serving in highest degree the purpose of authorization. Authorizing files also deserve special mention. To conserve space and make possible quick visibility and action of the authorizer has brought out some splendid equipment. In any contemplated changes or new installation the whole field should be gone over and thoroughly to get the very best in whatever system is selected.

Following consideration of physical aspects comes the thought of a very vital subject. There is an urgent necessity in every institution for a clear, definite credit policy to be agreed upon in conference of interested officials with the Credit Executive “sitting in”—and if you are not invited, ask to be. Colorless or vacillating policies will never advance the cause of business or credit. Strong ones, and yet flexible, are the back-bone of both. Merchandising and Advertising policies are spread of record long in advance—why not one covering your department?

Following are some outstanding points of such “policy”:

1. A liberal or conservative extension of credit.
2. Class patronage appeal.
3. Per cent of charge business desired.
4. Collection processes and credit “turn-over.”

5. Participation in “sales” as well as “charge account promotional work.”
6. Credit losses as related to accounts receivable, frauds and cashing of checks.

In discussion, with the major executives, of various policies, the credit man’s weaknesses will be brought out, his fine points encouraged by the greater confidence placed in him. The Credit Department should take its place as a business getter. It isn’t enough that we pass on all that comes to us—let’s go out into the highways and byways and bring it in.

The biggest promotional idea relates to Customer attitude, contact and control. To look at it in one way, the five to fifty thousand or more charge customers on the books are “yours”—through you they are introduced to the house—you made or should have made it easy for them to start on the charge account buying way. It is yours to finely impress the “guest

at the gate,” then to conversationally bring out and carefully record the basic information, this to be passed on to the Merchandise Department and the Promotional Sales Manager and covering the family make-up, number of children, grown-ups, characteristics, etc.

So far so good, that is from a purely credit standpoint. Now for the question, “Are you going to forget and desert your guest the minute you get him on the books?” You say, “No”—all right, then, “How are you going to see

him through?” Here is just a little suggestion of routine: After office and addressograph records are completed each day the finished applications, accounts actually established, should go to the Sales Promotion Manager’s Office and here is a type of record that he will be mighty glad to see:

1. Corporation President—
just come to city—
high credit.
Mrs. about 50
5 children—2 girls—1 married with 2 babies
3 boys.
2. Sales Manager—
moderate circumstances
and medium limit
Mrs. about 30—small and slender
1 child—two year old girl.



The Retail Credit Department is no longer the unfavored step-child of the business family.

3. *Physician*—
high credit responsibility
Mrs. about 45—well
dressed—refined
3 children—2 girls in High
School and boy in College

4. *Woman Executive*—
Manufacturing Plant
medium limit—single—30
years old—good dresser

and so on down the line.

The Sales Promotion Manager will then addressograph and "direct mail," aside from general advertising, as follows:

The Corporation President—for Every Men's Department.

His wife, about 50 years old—for everything a woman of that age and social position should wear.

His 5 children—for all of the interested departments.

The Sales Manager—for All Men's Departments.

His wife, small and slender—for Misses and Junior Divisions.

His 2 year old girl—for the Infants' Department.

The Physician—for "Mens' Furnishings," Gift Shop, Golf Toggery.

His wife—for Coats, Suits, Lingerie.

His 2 High School girls—for School and Young Society Outfits.

His boy in College—for "Sports" and Evening Wear, Footwear, etc.

Then an efficient customer control system is going to tell the sales story by the month, season and year with the possible following result:

1. That the Physician's family of five is not buying in three or four major departments.

2. That the Sales Manager's family of three never gets into the Infants' or Misses' Departments.

3. That the family of the President of the Industrial Concern is shunning many departments.

4. That the Woman Department Manager only buys in certain departments.

And that while the store in general is progressive and business going ahead nicely, there is material evidence that some departments are slipping and not making a successful customer appeal.

Doesn't all of the foregoing tell an interesting story of the buyer, the Merchandise Manager and the House, and aren't they likely to appreciate the co-operation of the Sales Promotion Manager and the Credit Executive in the effective analysis thus made possible for them?

Also the Credit Department records will show the active accounts become inactive ones—a fine field for joint action of "Credit and Sales Executives." Through a series of letters, the telephone and better

still in private opinion the cultured and mentally equipped personal representative, a good per cent of these inactives will come to life again.

Another Credit Department function calls for a sane and steady promotion of new charge account business—not of the promiscuous and wholesale type, but of the best in each community or those going from one to another, who are entitled to credit by reason of financial standing, good rating, high moral risks, etc. Carefully choose your promotion methods—it will cost the House something, but only once. After the patron is on the books you, and interested executives, are going to see the account so activated through the following months and years that the first expense will be considered an infinitesimally small one.

There is a very particular contact between store and patron that should be continuously borne in mind—"Credit Correspondence." Various minds differ as to the worth of the "form letter" so prevalent in credit work today. Take, for instance, the notification to the customer that account is established. The same message, "Credit asked and given," goes to the Bank President, Corporation Official, railroad worker, factory superintendent, farmer, minor executive, office clerical, sales-person, automobile salesman, teacher, widow, young woman in business and out and the professional. That message might be written in a dozen different forms and then not just strike every recipient as a perfect one—all the more difficult to write "the form" that will cover the whole range of patronage and be free from criticism.

In the same category is the form "Collection Letter" to the same patronage, big, little and varied. To the Credit Department is entrusted the delicate and hard task of paying a large part of the merchandise and expense bills, pay-rolls, etc. The medium or agency through which this is accomplished is collection procedure and again, by reason of "sameness" the form collection letter is brought into heavy play.

Difficulties granted and criticism easily possible, it is obvious that much care should be taken in preparing all form letters. You are not going to please everybody. By diligently incorporating the best from current business literature into your "form letters" and frequently re-writing them you will arrive at an effective credit correspondence.

Heading the list in William Nelson Taft's "Big Retail Problems for 1929" is "Credits and Collections." Isn't it significant that the "Retail Ledger" survey of major retail officials of the country should importanize this subject above eight or ten principal ones in retail merchandizing today? Engaging the thought of store owners and business and financial minds of the country, shouldn't "Credits and Collections" have the best of your efforts during the coming year? It is no one's right to determine, prescribe or dictate what is best in credit for each community, but it is

Turn to page 28, please

Why We Are Exploring the Mysteries of Retail Credit

An Interview with DAVID J. WOODLOCK, Manager-Treasurer
National Retail Credit Association

By NEIL W. BROWN, Assistant Editor,
The Executive's Magazine

THE national retail credit survey now in progress," said Mr. Woodlock, "should bring to every type of business executive, from the banker and railroad man to the farmer and manufacturer, facts of the greatest value in guiding his own business policy and interpreting fluctuations and changes.

"The fact is that there is nothing more illusive and mysterious than any question which involves credit, be it bank credit or credit for merchandise. How credit comes into being and how it goes out of existence has been the subject of bitter arguments among our leading economists. Merchandise credit seems to arise from a simple act—the entrusting of goods to a consumer before payment is made for them. When I say that the situation of merchandise credit today is one of the 'darkest Africas' of business, I do not mean to imply that there is not a body of well understood credit principles which have been worked out and are known to be safe. We have worked out those principles and where they are followed the most satisfactory results can be obtained with scientific regularity.

"What we don't know is how many people are applying to the conduct of their business the known principles which make

This interview appeared in the December issue of The Executive's Magazine, an excellent business man's publication and is reproduced because we feel it is of interest to all our members.

GUY H. HULSE,
Ass't Editor

David J. Woodlock was born in St. Louis and educated in the public schools of that city. He began his business career as clerk in the credit department of Simmons Hardware Company in St. Louis, remaining with that firm for thirteen years, during which time he accumulated a thorough knowledge of wholesale credit practices.

He then became credit manager of B. Nugent & Bro. Dry Goods Company, a St. Louis department store, and remained with that firm for ten years. While in this position he became a charter member of the National Retail Credit Association which was organized in 1912. He served two years as president of that association during the formative period, in which the membership increased from a few hundred to 5,000.

In 1919 the organization decided to establish national offices in St. Louis and Mr. Woodlock resigned his position with Nugents to become secretary. Later his official title was changed to manager-treasurer and all of the activities of the association throughout the country are under his supervision. He has been elected without opposition for the past nine years and under his active leadership the National Retail Credit Association has grown to a membership of 18,000 retailers and has a service department of 1,000 credit reporting bureaus which serve them.

credit granting safe and scientific. Our Association, for instance, includes some 18,000 leading retailers in the United States, and while our members do a large percentage of the total business that is done, there are hundreds of thousands of retailers, through whose hands an enormous volume of business passes, of whose practices we know little or nothing.

"The problem is one which is expressed in very large numbers. According to Dr. Julius Klein of the Department of Commerce, the United States has a net income around \$90,000,000,000. Our retail business amounts to about \$40,000,000,000. Of this it is estimated that about \$24,000,000,000 involves some kind of credit. Leading authorities who have studied the subject state that about \$5,000,000,000 represents installment business. It is supposed that there may be losses from bad debts aggregating close to a billion dollars.

"Admittedly the whole distribution machine is being revamped at present in the direction of decreasing lost motion and working toward greater efficiency on the part of all units.

"The credit situation lies at the heart of the whole problem. There are two main reasons for a searching survey of credit conditions at the present time.

The first is the fear that a depression, widely affecting the smaller incomes, might cause a great freezing up of installment credits and precipitate a crisis. The likelihood of such a situation occurring in an acute form does not loom very large in the minds of most business leaders at present. The general slackening of business which occurred in 1927, due to Mississippi flood and other negative influences, brought about, as has been frequently pointed out, not even a ripple on the surface of installment credit. Nevertheless, installment credit in the volume in which it is being used today is a new thing and our experience of it is not long enough so that we can afford to go to sleep on the question.

"Furthermore, leaving general commercial safety out of account, there remains a very large question of economy and efficiency. Are our present installment and charge account credit systems worth their cost? Can we make changes which will reduce the expense to the consumer and at the same time increase profits to the merchant? The answer to these two general questions of safety and economy must be obtained through the answering of numerous subsidiary or detailed questions. I will merely suggest what some of these are.

1. How important is the merchant's credit system as a factor in his costs?
2. How much business is done for cash in the United States each year?
3. How much is done on open account?
4. What is the volume of installment selling and in what lines is it most prevalent?
5. What is the percentage of loss on each type of credit transaction?
6. Do these volumes and loss percentages vary regionally?
7. Is credit being extended on the same principles by all merchants or is there a wide variation in practice?

"We have been able, through research work and through the questioning of hundreds of our members, to answer a good many of these questions definitely or to get a good approximation and make an intelligent guess. We know, for instance, that methods of granting credit do vary between very wide limits as between different regions and different stores in the same region. We know that installment selling appears to be a very safe and legitimate aid to distribution so long as the same investigation of an applicant for installment credit is made as that which would precede the granting of a charge account—second, so long as a sufficient down payment is required to give

the consumer a real equity in the goods—third, so long as the time granted does not extend beyond the depreciation limit of the article bought—fourth, so long as a sufficient service charge is made to cover the extra cost of carrying goods for a year instead of from 30 to 90 days.

"I spoke of the variation in credit practices. There is a whole section of this country in which retail merchants think they are lucky if 35 per cent of the business done on open charge accounts in the month is paid for on the first billing. In another section the best merchants get at least 69 per cent of their money during the thirty days following the month in which the goods are sold. Although, as I say, we have an immense amount of specific knowledge there is too much opinion about credit and too little fact. In the presence of any question involving all retail stores we must simply admit that we do not know.

"With this in mind the retail credit men of the United States decided on a credit survey. We went to Washington and enlisted the aid of the Department of Commerce, for one good and sufficient reason—that we were unable to do the job ourselves. The whole body of American retailers do not hold membership in any one association. Furthermore a business man hesitates to disclose the vital facts about his business to any commercial body. We believed, however, that they would give such facts, carefully safeguarded, to the Government.

"In co-operation with the Department of Commerce a questionnaire was framed which asks the merchant to give us his line of business, name of his firm, volume of sales, a word or two about his credit practices, and the amounts of each kind of credit which he is extending. If the questions are answered in large number and with any degree of fullness they will give the answer which we are all seeking. Up to the latest date checked, on December the fifth, 105,000 questionnaires had been mailed to retailers in the United States, 90,000 additional addressed envelopes were ready in Washington, and 15,000 replies had been received by the Domestic Commerce Division of the Bureau of Foreign and Domestic Commerce. The total distribution of the questionnaire will be 300,000.

"In addition to the retailer as a source of information we are going to the consumer. The employees of large corporations, the members of large organizations and many other representative lists will be asked to give intimate facts about their personal credit deal-

"When I say that the situation of merchandise credit today is one of the 'darkest Africas' of business I do not mean to imply that there is not a body of well understood credit principles which have been worked out and are known to be safe. What we don't know is how many merchants are applying to the conduct of their business the known principles which make credit granting safe and scientific."

DAVID J. WOODLOCK.

The Future of Retail Credit

By RICHARD M. NEUSTADT, Controller,
Livingston Bros., Inc., San Francisco, Cal.

WE must never judge the future by the past. Rather we should study those ways in which the present is different from the past, in order to learn the trends of change that will continue on into the years ahead. This holds true particularly in the field of credit extension. One of the most readily observable signs is the fact that there is less worrying, both among business men and economists, over the seriousness of our credit situation than there was three, four and five years ago. History has taken much of the hysteria out of our thinking on the subject.

The national use of the installment method of purchasing automobiles caused many of our leading exponents and students of business to prophesy dire catastrophies that have not taken place. Instead we find sales of automobiles and other commodities that have been similarly financed continuously on the increase and general prosperity maintained at a high level, with no perceptible increase of hazard to our general economic welfare. L. F. Weaver of San Francisco, developed the first business for financing automobile paper in 1913, and today over 85 per cent of all our motor cars are purchased through this medium.

The extension of retail credit has been ably expounded to us at this Institute as an effective sales device. It must so be recognized as an efficient tool for financing consumption. Here it may be well to delve for a minute into economics, which—as the “science of the production and distribution of wealth”—is, after all, only the effort consciously to interpret the unconscious habits and customs of trade. Necessarily, therefore, our economic thinking must change with our business practice.

A few years back we find that our theorists were

A lecture delivered at the “Institute of Retail Credit” conducted by the Associated Retail Credit Men of San Francisco.

claiming that the development of the installment plan ran counter to fundamental economic law. Today our leading thinkers on the subject are proclaiming it not only as

sound, but as fully legitimate as the varying forms of credit for the development of production which have so long been established.

It is interesting to contrast two recent books. The Pollak Foundation has published a series by Messrs. Foster and Catchings, the most popular of which has the catchy title “Business Without a Buyer.” Here the authors challenge our whole present economic regime in a way that not only startles the reader but stimulates him to attempt to think the problem through for himself. To read it is to enjoy an exhilarating experience. In brief, this is their challenge:

Inevitably society produces more than it can pay for, inasmuch as

- (a) The manufacturer withdraws from general circulation a portion of the sales income for his profits, and
- (b) The consumer always withdraws a certain amount for savings.

Moreover, these savings are invested in banks and in similar financial institutions back into production. The Dilemma of Thrift, therefore, is that the more that is saved by consumers, the more is produced by manufacturers for consumption. Consequently the greater becomes the discrepancy between the quantity of production and the quantity of consumption.

Certainly it is not necessary for us to accept this astonishing doctrine, but it is wise for us to attempt the task of finding the true answer to the puzzle for ourselves. For help in this solution you may well turn to the two volume report on Installment Selling made



The more that is saved by consumers, the more is produced by manufacturers for consumption.

for the General Motors Corporation by Dr. E. R. A. Seligman of Columbia University, in which he points out a new orientation of economic thought toward the financing of consumption rather than of production. He reminds us that Wealth in the Economic sense, includes "Services" as well as physical properties, and that therefore in adding to the convenience in the purchase of goods we add to their satisfaction and hence to their value. He does not say it, but it would be interesting to raise the question as to whether providing such extra satisfaction through sound credit extension is not adding sufficiently to value to offset the additional cost to the consumer. The conclusion drawn by Dr. Seligman is that consumption credit is fully as legitimate as production credit.

In determining the soundness of any specific plan of credit extension we must judge by its results as a whole and must be careful not to particularize too far. To drag in the ethical justification for permitting one class of customers to bear the brunt of the cost of carrying another group is fallacious—particularly in light of the fact that any attempt to differentiate in price would only add to the cost. Ethics are not involved. The street car company makes money out of the passenger who rides a few blocks, while it loses on those who go the whole distance. Years ago efforts

were made to adjust this apparent unfairness by zoning the routes, charging different prices in accordance with the length of the ride. The public confusion and resentment that finally swept away the plan was summarized by Mark Twain in the well known jingle—

"Pink trip slip for a five cent fare,
Green trip slip for an eight cent fare,
Punch, Brothers, punch with care,
Punch in the presence of the passengair."

Many other illustrations can be given of the general practice of averaging the costs of handling different types of transactions over them all in order to simplify the general public relations and to make the sales development more widespread. An instance with which we are all familiar is the case of our pub-

lic utilities, where, by order of the Railroad Commission, the urban consumers pay on a different rate base than do their rural brethren.

To determine the soundness of any plan of credit extension we must therefore view its results as a whole, checking the total profit against the total cost. However, if we should generalize in our judgment of any plan, we must be even more sure of administering that plan with our individual customers on an individual basis.

This, after all, is the nub of the situation. The results expressed in dollars and cents or in percentages to sales are worth-while and interesting thermometers of our performance. But they are in no sense rigid standards of performance. Methods of retail credit

extension may change from year to year, but the fundamental principle for extending credit remains the same. This is now, as always, dependent upon

1. The ability of the merchant to finance the transaction, and
2. The judgment of the merchant or his credit manager of the capacity and character of the customer.

It is wise to analyze our results by averages, but our performance must necessarily be individual and cannot be subjected to any rule or governed by any general fiat.

It has been proposed many times

that machinery set up for the establishment by the customers of their financial standing at one central point so as to eliminate the necessity of repeating the giving of information. This is a perfectly practical plan and may indeed be one of the general developments of the future. The extension of the Bradstreet service into the field of retail credit reporting may lead to the willing registration by individuals of their financial standing in much the same manner as that today in vogue among business enterprises. It is wise to use the word "may" in this connection both because we are prophesying and also because it assumes a conscious submission of their personal affairs on the part of the public that requires considerable stretching of

A New Years Greeting from Dr. Julius Klein

DEPARTMENT OF COMMERCE
BUREAU OF FOREIGN AND DOMESTIC COMMERCE
WASHINGTON

OFFICE OF THE DIRECTOR

December 21, 1928.

Mr. D. J. Woodlock,
National Retail Credit Men's Assn.,
Equitable Building,
St. Louis, Mo.

Dear Mr. Woodlock:

It is a renewed pleasure to extend to you and your staff again a brief but sincere expression of the season's greetings. I trust that the coming year will bring to you your very much deserved share of success and personal satisfaction, and that if this Bureau may contribute anything toward this end, you will not hesitate to give us the opportunity.

Cordially yours,

Julius Klein
Julius Klein.

the imagination to believe probable. Several years ago the Controllers group here in San Francisco outlined in complete detail a plan for the organization of a credit financing corporation to be owned and managed by the merchants co-operatively. The present credit managers would serve not only as the agents of their own concerns but also as representatives of this central corporation. Merchants could assume greater risks with individuals than recommended by the corporation but would do so on their own responsibility. To the extent at least in which they performed in accordance with these recommendations, member stores would bring down their charge sales checks each night and receive 95 per cent of their retail value in spot cash. The 5 per cent balance would be kept as a revolving fund as a reserve against losses and as a credit to the operating expenses.

Certainly such a plan would prove both efficient and economical, but again it takes a great stretching of the imagination to believe that merchants will ever willingly so subordinate their individualism to such genuine and far-reaching co-operation. Nor must such a doubt be considered a reflection upon the co-operative spirit of our merchants. Surely individualism is the most precious asset of each of us and any ruthless weakening of its power for progress by such super-standardization might well prove a social loss, even were it to prove an economic gain. On the other hand, if the present tendency toward so-called "mass distribution" were really to result in the elimination of all but two or three great retail institutions such a plan might well prove not only practical but essential.

There is another phase of this question however that makes development of such standardized credit service seem exceedingly questionable. We are still in the era of experimentation in retailing and cannot say with any certainty what forms of store-keeping will prove more fit for survival. Aside from the difficulties of securing centralized registration of the public there are the innumerable difficulties of keeping our information of our consumers completely up-to-date and of providing sufficient current as well as reliable information on any particular individual to warrant the merchant in placing reliance on the report without making the transaction personal throughout. This personal relationship is the very essence of the service that is being so zealously promoted by most of our independent merchants as their answer to the chain and cash and carry stores.

As far as present data goes, no one can yet safely pick which among the present competitive types of store is going to win greater public favor, nor be sure that any one of them is going to secure ascendancy at the expense of the others. Retail competition is fiercer than ever and credit extension as a factor in service is playing a very important role in the war that is on.

Piggly Wiggly and Woolworth's have definitely

proven that the public still buy in enormous quantities for cash. Nor is this true only in such commodities that can advantageously be centralized and that have a low unit cost. R. H. Macy & Co. is the most profitable as well as the largest department store in America and sells \$85,000,000 of merchandise of every known quality and running through the entire range of price and style, on a strictly cash basis. Indeed they have succeeded through the establishment of a full fledged bank within their institution in having on deposit something over \$10,000,000 of their customers' money, on which they certainly earn more than the $4\frac{1}{4}$ per cent they pay out in interest.

It is well to remember, however, that Macy's is an isolated instance and that many chain grocers are now undertaking both a delivery and a charge service, for which they charge 5 per cent in order to withstand the successful lure of the "Phone for Food" campaign of the independent service stores.

The development of retailing on a large scale, as evidenced by our chain organizations and our giant mergers, has very evidently raised the minimum level of intelligence necessary for survival. It has not at all, as yet, succeeded in demonstrating that granted intelligence above the minimum, the individual store cannot survive and prosper. Moreover, so far as figures are available, it would seem evident that all forms of retail distribution are prospering side by side and that the economies made possible through the cash and carry or the restricted thirty day credit accounts are offset in terms of profit by firms rendering complete service and offering liberal credit extension. Under such conditions any attempt to standardize credit relations between merchants as a group and customers as a whole must inevitably fail—since the cardinal principle of credit extension rests on the right relationship between the individual store and the individual customer involved in each individual transaction.

The competition in credit that has been so much decried recently is part and parcel of the general competitive situation between the stores that are similar in character and between types of stores. It has the same inherent advantages as any other form of competition and the dangers attending it are no greater than abuses that creep into all human undertakings. There can be no effective limitation of such competition and none should be attempted—save by education.

If competition in terms is both inevitable and profitable, then certainly there should be no attempt to deny to it the advantages of advertising. Your credit extension is an integral part of store service and there can be no possible reason why any firm that has worked out a policy of credit relations satisfactory to itself, should refrain from publishing it broadcast. If the policy should prove unsound the firm using it will be quickly eliminated. If it brings that firm a volume of profitable business, no valid objection can be raised

Turn to page 27, please

The National Retail Credit Pleasure In Annoci Retail Credit

"The Course consists of fifteen lectures, the basis of which is now used by the New York University School of Retailing. By special permission of New York University we have been permitted to distribute this valuable educational work to our National Membership.

We are organizing classes through local association officers, secretaries and any body of retail credit grantors that is affiliated with our National Association.

You are requested to ask through your local association for particulars. Information can also be obtained through the Manager-Treasurer, D. J. Woodlock."



Committee on Natl. Retail Credit Classes,
J. H. Edgerton Chairman

Credit Association Takes Offering A Course In Retail Practice

"In order to give the readers of the 'Credit World' an opportunity to examine the data that will be used in this Retail Credit Course, we are printing, from one of the original folios, the index and instructions. To further impress you with the scope of this work we are printing lecture number one, 'Definition of Retail Credit.' This original lecture was given by Vice-President Edgerton at New York University and is used at present as a basis for lecture number one.

After reading the lecture, we ask you to read over the questions that have been placed in syllabus form.

We urge to impress on each, eager to improve their knowledge, to at least inquire as to the possibilities of having this Course placed in their local association.

The requirements have purposely been made very simple.

1. That you are a national and local member of the Retail Credit Association.
2. That you represent, in some capacity, a retail establishment or contemplate joining a retail establishment.
3. That you enroll with your secretary or some officer of your local association, pay the registration fee and agree to take the entire Course.

This work is rapidly spreading throughout the United States. Students have already been enrolled in Provi-

dence, R. I.; Oklahoma City, Okla.; Houston, Tex.; Newark, N. J., and other cities throughout the country.

We contemplate the formation of classes to commence in the spring. The National Office is now prepared to fill the wants of the secretaries or officers of the locals. We expect to distribute, under separate cover, a sample of this Course to the entire roster of secretaries of the Service Department.

We request that all those interested, send to the National Office, the names of those who desire to enroll. The registration fee for the entire fifteen lectures with questions and answers is \$3.00. While the original lectures, the cost of production, and the cost of the reduction of the Course to simple Credit Practice has been expensive, we have, through an arrangement with the New York University, reduced the cost to the student to a minimum.

If we receive the support that a work of this kind deserves, we expect that our anticipated enrollment for the spring season will be complete by February 1, 1929.

We regret the delay that has prevented you from having this course sooner, but it was necessary to edit and plan the Course so that it would be suitable for distribution by mail."

Committee on Natl. Retail Credit Classes,
J. H. Edgerton, Chairman.

LECTURE I *Definition of Retail Credit*

THE first important fact for students taking this course is to know the exact difference between retail credit and other forms of credit. You might say—Credit is Credit—and while its uses are different yet the fundamental principles on which it is based are the same.

To prove or disprove the layman's conception of credit is not as important as explaining to you now our interpretation of the credit we deal in—retail or consumer credit.

THREE WORDS STAND OUT as a good basis to analyze credit on—

CHARACTER CAPACITY CAPITAL

To these three words the retail man adds the personal background or antecedent information. In plain words, who is she or he?—or who are they? Later we will elaborate on that.

Now let's analyze the principles of credit other than retail credit.

PUBLIC CREDIT

A large percentage of the entire public is not entitled to credit. To receive public credit which benefits the worthy and unworthy citizens alike we must look for character.

For example:—The City of New York wants to erect a new building. Let us assume that the budget will not permit the added expenditure, or say the occasion arose for an emergency expenditure, not taken into consideration when the city budget was completed. We need the building but have no money. What do we do? We look for credit. Who wants to lend us a million and on what? Go back to our first quality—we look for character. Yes, New York City has character and likewise prestige. How about capacity? You know its capacity for doing things successfully. Next we look for capital. None is available, but does that mean that our city is poverty stricken? No, the city needs credit on its promise to pay at a future date. To get the money from taxation entirely might mean an imposition, so the public is approached for a loan.

Briefly the city says:—Lend us a million on our character, capacity and promise to pay if you believe we are good for it. We will give you a bond as receipt and an interest in your own city as security.

That is public credit—and based on the same economic principles but different from retail credit.

INVESTMENT CREDIT

Have you ever been approached to buy stocks or bonds? When a steel company wants to expand and needs capital they either take it from their treasury or issue stocks or bonds. They base their request for credit on possible future earnings plus past experience.

You have seen advertised statements of their propositions. Some are worthy, others unworthy. If their rate of interest is not too high and the character and capacity of the firm is good, those who buy bonds or stock have contributed to credit on an investment basis.

A retail store might issue bonds or stocks to get capital, pledging its business ability and prestige for the credit.

BANKING CREDIT

Some day students of this class may want to go into business for themselves. You have an idea, a needed commodity or a going business—but no capital. You go to your bank. They will base a loan to you on your

CHARACTER CAPACITY

Plus—1. A signed statement showing your assets and liabilities.

2. Collateral.

3. Notes.

A signed statement is usually accepted from a going concern only.

Collateral loans depend on the type and negotiability of the paper notes—one name—your own obligation, more than one name, obligating yourself and others.

Let me emphasize the necessity of preserving your reputation as it is a big asset when you seek credit.

MERCANTILE CREDIT OR WHOLESALE CREDIT

When your corner grocer, the druggist, the baker, the butcher, etc., want to stock up and pay later they need mercantile credit. When our stores want to replenish stocks they get credit from the wholesaler.

Sometimes the wholesaler sells to the jobber or middleman and he to the retailer. That is mercantile credit also.

The Credit Man passing on wholesale credit uses the same fundamentals and his problem is nearest to the retail problem. He relies on Dun and Bradstreet ratings, signed statements, trade references, notes or trade acceptances and bank references. But because of the nature of accommodation, his risk is not as hazardous as the retail grantor's. Strange to say the percentage of losses are comparable. This emphasizes the technique necessary in the profession of retail credit granting.

If this course only strengthens your belief in the importance of knowledge of your business, it has performed a great good.

RETAIL CREDIT

You see a suit of clothes in the window, admire it, step into a store, buy it—charge it, and walk out pleased. The store gained a customer—you a satisfactory purchase and when the charge was O. K'd by the Credit Man you received retail credit. So simple, you probably feel that we should be ashamed to take our salaries.

Back of that apparently simple decision are economics, system, service, experience, and the sincere desire of a merchant to lend a suit of clothes on a promise to pay.

Later on you will hear and decide for yourself how important the researches and mechanics of retail credit are.

HISTORY—BRIEF

In the beginning merchants dealt with a few intimate friends and catered to the aristocrats for charge business. The basis was often friendship and fear to offend by refusal of credit, while the better known people received credit on the family connections.

Today retail credits have been almost completely democratized. Our basis is still CHARACTER—CAPACITY—CAPITAL—but we have added pay habits—and the general conduct of the account.

We build a retail credit seeker by a steady sane process. We nourish a creditor in distress like a doctor cares for a patient. When a customer has bought and paid for a moderate amount according to agreement, we consider a larger extension of credit. When a customer fails to meet obligations we considerably try to find out why and if possible save the credit reputation of our friend and patron.

DEFINITION OF CREDIT

Retail credit is a financial convenience permitting properly authorized people to purchase in one month and pay a month later.

The fact that millions of people prefer to deal that way and only one-half of one per cent do not pay demonstrates its economical and serviceable value. A good part of the one-half of one per cent are not deliberate evaders of their obligation, but in many instances reliable people who have met reverses.

If it is true that *cash* is the only sane way to trade, then four hundred thousand customers trading in three stores in my neighborhood would have to carry around thirty-five million dollars in cash in their pocketbooks in one year.

The three stores have a total of four hundred thousand customers and do thirty-five million dollars charge business a year.

Out of a million dollars due a month 90 per cent pay in thirty to sixty days. Indicating that the convenience of a charge account is appreciated and not abused.

A friend of mine gives an illustration—the following—to describe convenience:—

The milkman leaves your milk daily. If he routed you out of bed to pay for a pint of milk, you would either arrange to leave the money or pay weekly or monthly. Imagine getting up in your night clothes to pay the milkman!

Determining who is entitled to credit is possible, but pre-determining what amount is wanted is difficult.

Do we ask how much credit is wanted? In most instances, no. Do we make exceptions to our terms? Sometimes. And why? Some customers receive their incomes quarterly, others semi-annually. Later under collections you will see how the term exceptions is handled.

We have discussed the straight or thirty day credit and referred to it as a convenience. How about that credit with a year to pay?

DEFERRED CREDIT

In the old days they called it—tick—installment—dollar down and a dollar when you get me credit. Today it is Deferred and that is a good name.

Suppose you want to get married or your ma's living room set is getting shabby. Let's take matrimony—and the popular expression—"You furnish the girl and we'll furnish the home." You may have a good job with prospects of betterment, also a little money laid by. If your record will stand investigation the stores will take your savings as a first payment and extend the balance over ten months or a year. That is a financial accommodation secured by a lien on the merchandise until you pay for it.

When properly negotiated for and asked for as a necessity it is good business. When used to indulge one's desire to have pleasure and convenience beyond the means it is unsound.

Doesn't this emphasize the need of knowledge so you, as a Credit Manager, can tell along scientific lines who is entitled to credit?

INSTRUCTIONS

Some of the problems to be considered in outlining the course in Retail Credit Practice in order to bring it to a successful conclusion are:

(1) Appointing a committee of Credit Managers who have a fundamental knowledge of credits, collections, systematizing and office management, having as the head of the committee, one who can and will direct the affairs of the same.

(2) Determining what the heading of the lectures are to be, as well as the number of lectures to be given.

(3) Making up a complete syllabus of each lecture, of about thirty questions each, which will cover in a complete manner that particular lecture.

(4) Choose a group of competent Credit Managers to deliver the lectures.

(5) Have the lecturers write out in detailed manner the lecture which has been assigned, usually comprised of about 7,000 words.

(6) Each lecturer to be allowed one and one-half hours' time in which to deliver the lecture.

(7) Time and place of course.

(8) Arrangement to have announcements and lectures printed and distributed.

(9) Arrangement to have syllabus of each lecture printed or multigraphed.

(10) Campaign ideas in order to arouse interest and enthusiasm.

(11) Arranging for lecturers to substitute in case of sickness or disability.

(12) Cost of lecturers and method of distribution of expense, etc.

(13) Advertising the giving of a prize for the best paper submitted at the examination; the prize to be awarded in a public manner.

(14) Arranging for merchants to pay part of costs if any one in their particular establishment may take the course to be paid upon completion of the course (prorata share).

INDEX

	Page
Acceptance of Application	11
Answers to Questions	37
Authorization	16
Collections	19
Correspondence	29
Credit Personnel	32
Credit Problems	31
Definition of Retail Credit	2
Determining Responsibility of Applicant	3
Examination Questions	36
Installment Business	22
Instructions	1
Legal Remedies	27
Originating Accounts	7
Place of the Credit Department in the Organization of the Retail Store	4
Structure of the Credit Department	6
Synopsis	34

Sureties and Guarantors

By LEONARD H. MULLER,
Attorney, Merchants Credit Bureau, Detroit, Mich.

IN the extension of credit it is not uncommon for the credit grantor to be confronted with problems that require a technical legal knowledge. He is compelled to solve all problems that may arise wherever and whenever a prospective customer purchases merchandise on credit. We have discussed such problems that more commonly arise in reference to the extension of credit to married women and infants, and the subsequent liability or non-liability of the husband or parent. But how familiar is the credit grantor with the liability or non-liability of the commonly called guarantor or an account? Many guarantees have been accepted and their validity never questioned by the credit grantor, and only because of luck and honesty has he failed to lose both money and merchandise.

How many of the credit profession know the distinction between a surety and a guarantor and when it is more advisable to have one than the other? Guarantors of payment are becoming more and more popular in the extension of credit, yet how frequently does one hear that John Doe guaranteed the payment of another's account, and it is admitted that the guarantee was verbal and natural-

Wholesale Credit Men Join War on the Direct Inquiry

Five years ago the National Retail Credit Association wrote into its Code of Ethics a denunciation of the Direct Inquiry, declaring Credit Managers resorting to this method for obtaining Credit information were depriving the reporting bureaus making up our Service Department of both information and revenue, placing a burden on the merchants and securing information from only those references given by the applicants.

Now comes the National Association of Credit Men (Wholesale) and after a thorough investigation into the respective merits of exchanging Credit information through organized Credit Bureaus by Direct Inquiry member to member their Board of Directors have issued the following declaration:

N. A. C. M. BOARD DECLARATION

1. The present excessive volume and indiscriminate use of Direct Inquiry represents duplication of effort and a burden to credit departments, which have their credit information available through the Interchange Bureaus of the N. A. C. M.
2. The Direct Inquiry should be made only after it is ascertained by contact with the nearest Interchange Bureau that no information is available through that source.
3. When Direct Inquiry is necessary, the form prescribed by the N. A. C. M. should be used. The obligations of the maker and receiver as outlined on this form should be strictly observed.
4. Credit risk cannot be accurately diagnosed from one or two Direct Inquiry replies. Even if the inquirer had as many references as are available through Interchange service, the expense and time of obtaining full information by Direct Inquiry would be excessive as compared to Interchange inquiry.
5. Personal correspondence between interested creditors regarding phases of the account other than ledger experience is proper in supplementing Interchange reports.
6. While certain cases necessitate the Direct Inquiry, Interchange service is the most complete, impartial and accurate source of credit information and will reach its maximum value with the active participation of all credit executives.

ly unenforceable. Many guarantors offer to become guarantors of payment and are accepted as such by the credit grantor, but no notice of their acceptance as guarantors is ever given. Here we have a guaranty which would be unenforceable and worthless as far as the credit grantor is concerned.

Again quite often some one will guarantee the payment of another's debt—the guaranty will comply with all the necessary requisites of a valid guaranty. However, the creditor will extend the time of payment to the principal debtor without either the knowledge or consent of the guarantor, thereby unconditionally releasing him from any and all liability.

It is obvious that although the subject is a large one, that an interesting discussion could be had which would, I hope, be of some practical and beneficial good to the credit profession. I have, therefore, attempted to cover in a short synopsis some of the salient points of the subject of sureties and guarantors, which should be of interest to the credit grantor.

A definition of what is termed Suretyship should be first attempted, and the best that I have been able to find is as follows:

"Suretyship is that situation, directly or indirectly, arising from the acts of parties, rather than by mere operation of law, in which one party becomes answerable directly and personally, or indirectly and his property, for the debt, default or miscarriage of another."

"A surety is a person who, being liable to pay a debt or perform an obligation, is entitled, if it is enforced against him, to be indemnified by the person who ought to have paid it."

The distinction, and this is important, between a surety and a guarantor is that the surety is one who is bound with the principal usually jointly and severally by or upon the same contract, while a guarantor is bound only secondarily and collaterally, and is bound on a separate and distinct contract. For example: Where a party obligates himself by the very contract which is the sole and direct foundation of the principal's liability to the creditor, he is a technical surety or desire to be sure and not a guarantor.

A voluntary suretyship needs little explanation, as it arises by the express acts of the parties to become sureties.

Involuntary suretyships arise by operation of law, although the parties may have no intentions, and this is of primary interest. For example: In Michigan Reports, Volume 35, page 42, we find the following facts:

A partnership operating under an assumed name became indebted in the sum of \$969.00 on a book account; subsequently the partnership was dissolved by mutual consent and one of the partners purchased the assets, and agreed to pay all of the partnership liabilities. The creditor or plaintiff in this particular lawsuit was informed of this arrangement and took a note, without the knowledge or consent of the partners who had retired from the partner still remaining in business. This partner finally became insolvent and the creditor called upon the other partners for payment. This was the first notice these partners had of the matter. They refused payment and this lawsuit resulted. The Court held that although the retiring partners were sureties by operation of law for the payment of all partnership debts, yet when a

creditor with full knowledge of these facts accepts a note without the knowledge or assent of the retiring partners, they are by that act released entirely from any liability. Where a surety is not given notice or his consent obtained to extend the time the principal may have of payment, he is released from all liability. In this case, had the creditor refused a note or at least received the consent of the other partners he would not have lost his entire account.

The liability of a surety arises immediately upon the making of the instrument which is the opposite of a guarantor whose liability does not arise until there has been a breach by the principal. Another

way of putting this would be: If the principal does not pay the surety must. If the principal cannot pay the guarantor must. The only exception is the guaranty of collection; in that case the creditor must use due diligence in trying to collect from the principal before proceeding against the guarantor. As to what may be said to be due diligence depends upon the facts in the case. Ordinarily it means securing judgment against the principal and having an execution issued and returned unsatisfied.

There are two classes of guarantees, namely: guaranty of collection and guaranty of payment. In the former case, it is necessary to proceed against the principal first; in the latter case, it is not necessary.

When the words "guaranty" or "guarantor" are used, it is always in reference to that class of guarantees called "guaranty of payment."

As in every contract, a surety contract has certain necessary requisites to be valid; there must be competent parties, a consideration, an offer and acceptance, and formality required by law.

The general rule is that a surety or guarantor's liability is limited by that of his principal, with several exceptions, chiefly where the non-liability of the principal is founded on reasons personal to himself, in the nature of a personal privilege or protection, rather than upon any defect inherent in the principal con-



ONE way of indemnifying the person who should have paid for it.

tract itself. For example, the surety is bound where he becomes surety for an infant or a married woman whose contract would be void because of her coverture. Of course, there must be no fraud or misrepresentation enacted against either guarantor or surety.

Contracts of guaranty and suretyship entered into by corporations for the mere accommodation of others are ultra-vires and void. By ultra-vires is meant beyond the scope of their corporation powers.

An offer of guaranty or suretyship, like any other offer of a contract, requires acceptance by the creditor to render it binding on the guarantor. No distinct or formal notice of acceptance by the creditor is required where:

1. The guaranty is signed at the request of the creditor or in his presence and with his knowledge.
2. Where it is signed upon a distinct and valuable consideration, however small, moving from the creditor to the guarantor, or the receipt of such consideration is acknowledged by the guarantor.
3. Where the guaranty is of a definite subsisting obligation of the principal to the creditor or a contract entered into contemporaneously with the guaranty and as part of the same transaction.
4. Where the guaranty is in the form of a promise by the guarantor or surety jointly with the principal.
5. Where notice of acceptance is waived.
6. Where the contract is bi-lateral.
7. Where offerer is not injured by lack of notice.

The general rule that formal notice of acceptance must be given is the weight of authority in the United States, and is followed by both the Federal and Michigan Courts. For example, in United States Reports, volume 115, page 524, we find the Davis Sewing Machine Company trying to recover money from one Richards and others on a surety contract which the former claimed was in existence. The facts being that the principal debtor made an agreement with the Sewing Machine Company, in which he guaranteed the payment to them of the purchase price of every one of their machines he would sell. The Sewing Machine Company desired sureties. The defendants were asked to be sureties by the principal debtor and agreed to become such. The Sewing Machine Company and the principal debtor then drew up a contract but no notice that the suretyship was accepted was given. The principal defaulted and this suit was brought against the sureties, who defended that they had received no notice of acceptance of their offer to become sureties. The United States Court held there was no liability on the part of the defendants and said, "Where a guaranty is signed by the guarantor without any previous request of the other party, and in his absence, for no consideration moving between them except future advances to be made to the principal, it is in legal effect an offer or proposal on the part of the guarantor which requires an acceptance to complete the contract."

In Michigan Reports, volume 113, page 578, a party named Jacobson desired to buy goods from a creditor named DeCremer. The latter requested the former to have some one sign a guaranty of payment. The defendants, one Anderson, signed this guarantee, and it was returned to the creditor, who, after looking up the financial resources of this guarantor and finding him satisfactory from a financial point of view, notified Jacobson that they were satisfied with his guarantors. Jacobson then started buying goods. Some time later the guarantor wrote that he desired to withdraw his offer to guaranty. The creditor replied they would look to him for payment of goods sold Jacobson to the date of his withdrawal request. About this time Jacobson owed them two hundred dollars, which plaintiff failed to notify the guarantor of until this suit was instituted for its recovery. Our Court held as there was no formal notice of acceptance given, there would be no liability, it being essential that before selling Jacobson that the creditor should have given the guarantor notice that they were accepting his offer to be a guarantor.

The Minority rule holds that notice is not necessary and is followed in New York State and several other states.

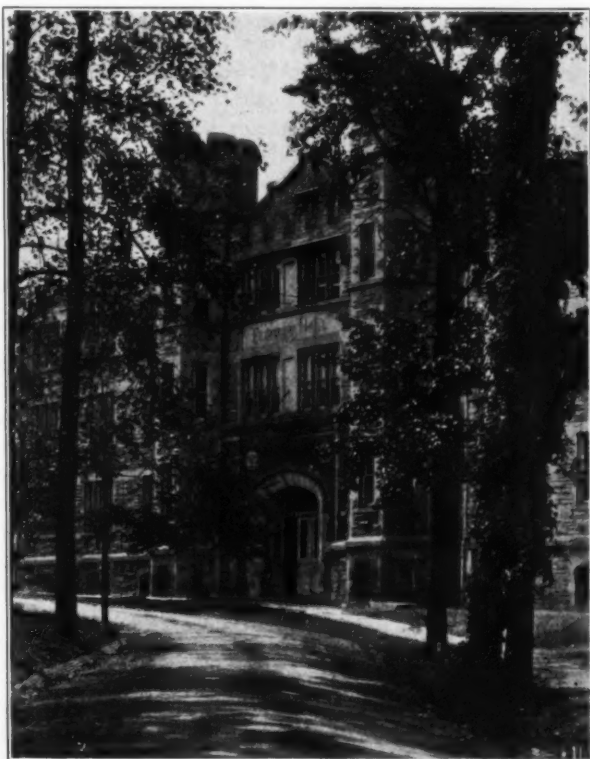
The reason for the general rules is that the peculiarity of the contract demands it, namely, that the surety or guarantor who offers himself as such is entitled to formal notice of acceptance, so that he may protect himself in so far as the principal is concerned. Usually where the surety or guarantor are accommodation parties receiving no consideration, therefore, the law protects them in every way possible. The time in which the notice must be given is within a reasonable time and depends upon the facts in each particular case.

By formal notice of acceptance it is not meant that the notice must be in writing, it may be verbal or in writing, and in any form—anything which brings the acceptance to the notice of the offerer is sufficient.

As stated before, the liability of the surety or guarantor is limited by that of his principal. Therefore where the obligation for which the guarantor or surety purports to be bound is illegal or against public policy, it is usually void and the contract of surety and guaranty is likewise void.

One of the most important requisites of any contract, and there is no exception with references to the contract of a surety or guarantor, is that the contract comply with the Statute of Frauds, and since this Statute enacts that:

"No action shall be brought whereby to charge the defendant upon any special promise to answer for the debt, default or miscarriages of another person unless the agreement upon which such action shall be brought or some memorandum or note thereof shall be in writing signed by the party to be charged therewith, or some other person thereunto by him lawfully author-



**Nashville,
Tennessee, Our
Next Convention
City Is South's
Educational Center**



*Furhman Hall, Vanderbilt
University, Nashville, Tenn.*

"The Athens of the South" has long been the outstanding way of describing Nashville, Tennessee, where the National Association of Retail Credit Men will hold their next annual convention, and today this fairest of Southern cities might rightfully claim the distinction "The Athens of the United States." In fact this name was given Nashville a short time ago, by one of the leading educators of the country when he visited Nashville and saw for himself the character of the educational facilities of that city.

To the educational facilities is due much of the culture and refinement for which Nashville has always been noted, as well as the atmosphere of advancement and progress in all branches of the city's life, mingling that of the old with the more modern of today, thus forming a combination that is distinctive and individual to all Nashvillians. The buildings of the city, both those of the educational section and its public structures, hold, to a marked degree, the designs of Grecian architecture and this serves to add much beauty and charm to the physical, as well as the moral and mental atmosphere of Nashville.

Education has always been a feature of the life of Nashville and today the city proudly boasts 38 educational institutions for higher learning and preparatory schools and 40 public and high schools under the direction of the city, while the county has several grade and high schools lying in the territory immediately adjacent to the city. There is a total of 10,000 non-resident students attending Nashville institutions each year and the enrollment of the city schools for 1927-28 is placed at 26,000. The proud boast of Nashvillians is that a child may be started in the kindergartens, take a public and high school course and almost any desired degree in higher learning without leaving the city.

Among the educational institutions for higher learning will be found Vanderbilt University, George Peabody College for Teachers, Ward-Belmont School for Young Ladies, Scarritt College for Christian Workers, Southern Young Men's Christian Association College, Trevecca College, David Lipscomb College, St. Cecelia Academy, St. Bernard Academy, Tennessee School for the Blind, Nashville Conservatory of Music, and among the preparatory schools will be found Montgomery Bell Academy, Wallace School, Duncan School and others. Among the business schools or trade schools will be found the Southern School of Printing, Nashville Automobile College, Taylor School of Art, Falls Business College, Draughn Business College, and other similar institutions that are well known for the character of work they do.

The Use of the Central Credit Bureau

(Continued from page 6)

paying habits, either through the inadvertence of the Credit Manager declining the account, or if the party has had only one or two other accounts he or she can easily guess which store may have given the derogatory information. Even if there are several stores involved, an indignant customer, particularly if it be a woman, will visit each store in an effort to determine which one made the derogatory report, creating commotion and embarrassment. Very frequently the stores refer such indignant customers to the Bureau which is often unjustly blamed for the error and is placed in a rather difficult position endeavoring to explain the good faith of the stores with apologies for the error. Ledger information is a fundamental part of every retail credit report, but the careless manner in which many stores transmit such information to us is ample evidence that many Credit Managers do not realize its importance. However, should these very Credit Managers receive a report from us with an erroneous trade clearance, they would be most indignant and loud in their complaints. I hope that every Credit Manager and assistant present here this evening realizes that we do not create or manufacture trade information but merely record what is reported to us by the stores and in turn incorporate it in our credit reports. As previously stated, our operators are no more infallible than your own—nevertheless, errors in the recording of trade information are exceedingly small, and a careful survey over a long period of years conclusively proves that most of the difficulty arising from erroneous ledger information is caused by inaccurate clearances furnished us by the various stores. There seems to be doubt in the minds of some Credit Managers as to just why ledger information is included in a credit report. A few believe that it is to indicate the total indebtedness of an applicant for credit. I do not agree with that view and have discussed it with some of the most prominent Credit Managers in various parts of the country, and the consensus of opinion is that ledger information is intended to reflect the trade paying habits of customers which can only be gauged over a period of time. The vast majority of Credit Managers agree that this is the proper use of ledger information, and probably 90 per cent of all trade clearances are accepted on that basis. However, as was stated by Mr. Jeffrey in his presentation the other evening, there are exceptions to all rules, and frequently because of some questionable feature surrounding an applicant or because of the large size of the contemplated purchases, it is desirable to make a special clearance in order to determine as nearly as possible the present total retail indebtedness of such customer, and we are daily making such special clearances in order to take care of these exceptions.

THE NECESSITY FOR PROMPT SERVICE is

readily apparent, but it should always be borne in mind that the prompt service should flow both ways—from the stores to the Bureau and from the Bureau to the stores. Since each is absolutely interdependent on the other, it is physically impossible for the Bureau ever to render 100 per cent prompt and efficient service unless the stores reciprocate in kind—this is amply proven by observations throughout the country. Until the retail stores and their Credit Departments, in their exchange of information through the Bureau, can improve progressively with the efforts of the Bureau to increase its efficiency, completely satisfactory service cannot result. The Bureau might be termed the "nerve center" of the retail merchandising structure in each community, instantly responsive to delays caused from the outside and likewise to better service from the outside. Granting a certain percentage of slow service due to the complicated machinery in the Bureau, and delays between Bureaus, the greater percentage of delayed reports can be attributed mainly to two things: First, incomplete inquiries lacking in essential identifying information, and, secondly, slow and inaccurate ledger information from stores. The Retail Credit Bureau is a peculiar institution, comparable to practically none other. As volume increases, the mere addition of personnel does not always solve the problem of rapid service, due to the fact that each inquiry must receive such personal and special attention—entirely different from merchandising. The executives and personnel of the Bureau are fully cognizant and thoroughly comprehend the difficulties with which Credit Managers are faced in their efforts to deliver merchandise promptly to new customers on whom they naturally wish to make a good impression and whose accounts they fear they may lose due to the intense competition between merchants. We know that the Credit Department is constantly under stress due to the urgent demands of the Sales Department, but nevertheless it should be remembered that these very conditions throw an unusual and practically the entire burden on the Bureau, resulting in most of its reports being demanded under pressure. It should never be forgotten that quality cannot be sacrificed for speed, as you realize the necessity for reliable credit reports. The Bureau endeavors to cope with this aggravating condition by using every means at its disposal to facilitate the securing and furnishing of information, by installation of the latest type equipment and carefully trained, competent personnel, but, notwithstanding this and all the efforts of efficient management, the Bureau cannot completely satisfy every subscriber until conditions are somewhat alleviated by the stores themselves, which can only be done by the Credit Departments impressing their principals

Turn to page 27, please

A Good Collection Manager Helps the Debtor

Talk Made by W. R. Thygerson of the J. L. Hudson Company,
Collection Department at the Monthly Meeting of the Detroit
Retail Credit Men's Association on November 8, 1928.

Editor's Note: This talk has a special appeal as it was delivered by a member of the Junior group of the Retail Credit Association of Detroit. Mr. Thygerson is only twenty-four years of age and has been in the Collection Department of the J. L. Hudson Co. for eighteen months, yet he has grasped the fundamentals of successful collections and the ability to communicate his thoughts to others, which is an endorsement of the Junior Group idea in local association activity.

THE credit men have prided themselves on the fact that they can trace the genealogy of their profession back to the time that Christ drove the money lenders from the temple. We, of that division of credit men that have to do with collections

The customer in this category is up in the air and must be brought down.



alone, have been unsatisfied with such an ignominious start for such a noble profession. with the typical ingenuity of a collection man, we have found that our forebearers date



back to the time of Adam and Eve. In Genesis you will find the story of Adam and Eve being driven from the Garden of Eden by the angel with a flaming sword. That angel was the first collection man, lawfully replevining the garden for violation of contract. We do not insist, however, that every collection man since that time has been an angel.

When I refer to collections tonight I refer only to those accounts which are six months or more past due; the accounts that come to us after the credit man has sent out the usual number of form letters and on which he has made a few phone calls; the accounts which need special attention and close follow up which the credit man cannot give because of the great number of accounts he has under his supervision.

These accounts are of two kinds; first, those who have the money and will not pay without personal attention, and second, those who are the victims of unfortunate circumstances which are beyond their control such as, unemployment, business reverses or where there is sickness or death in the family.

In both cases the most vital factor in successfully collecting the account is to get all the information possible regarding the customer. The application should be carefully checked over, a report obtained from the Bureau, the references called or written to and an investigator should be sent to interview the customer. When it has been definitely ascertained that there is no adjustment pending and that the company is in no way at fault, the account can be classified into one of the two categories before mentioned.

If the account is one that falls into the first category a policy of polite persistency will usually bear favorable results. The customer should be called to the office and with all the facts of the case in mind, a definite plan of payment should be arranged. The customer should be shown in a tactful manner that the bill is a just debt and must be paid and the only excuse that need be given for requesting payment is that the account is past due, but above all he must be left with the impression that you think he wants to

Turn to page 26, please

pay. Having arranged a plan of payment it should be followed up closely. Letters have little effect with this class of customer for they are easily disposed of. A phone call or a personal call by an investigator are the most effective follow ups. If the investigator is sent he should be sent, not as a messenger boy for a check, but to find out why the agreement is not being kept. By this process the customer is being inculcated with the idea that he wants to pay and the suggestion, if repeated often enough, will prove to be irresistible.

The other class of accounts are not so easily disposed of. The customer in this category is usually, so to speak, up in the air. He is, as a matter of fact, mentally ill and must be treated accordingly. He must be brought down to earth. He already wants to pay his bills but thinks he cannot and so it is the duty of the collection man to diagnose his case and prescribe a proper remedy. If the case is one in which the customer has over-estimated his paying capacity and has past due accounts in several stores the best plan is to have the accounts pro-rated by the Bureau. If you are the only store he owes suitable arrangements can be made to make payments periodically. But, if he has lost his job or has suffered business reverses the only thing is to extend the time of payment to such a time as he has regained his financial equilibrium and in the meantime a policy of watchful waiting can be pursued.

In any event it is best merely to suggest the remedy and let the customer make the arrangements if they are reasonable. In this way you gain the point of having the customer feel the moral responsibility of living up to the arrangements since he made them himself. The principal thing is to do the suggesting and several should be made since you cannot tell just which one will produce results. In this connection I have in mind a case where a customer, coming from a good family of well-to-do people owed a bill of about \$300. It had been owing for about two years when I finally located him. He was estranged from his parents because of his irresponsibility and had been able to earn but a scant living selling printing for a firm which perhaps kept him only because his father had, some time ago, bought an interest in the business for him. Now, however, the company was bankrupt and he was out of a job. He had tried other printing companies to no avail. He admitted to me his irresponsibility and the fact that his parents had had psychiatrists treat him.

It was obvious that he would get nowhere selling such a highly competitive product as printing. In the course of our conversation I suggested that with his circle of friends and acquaintances and his suavity that he might be successful selling cars. Nothing further was agreed upon and he went away with a rather gloomy outlook. About two months later he came in, paid his account in full and thanked me profusely. He was selling Cadillacs, had done well at it and was again reconciled with his family.

Sureties and Guarantors

(Continued from page 22)

ized." Particular attention should be given by any credit grantor that this Statute be complied with.

An oral guaranty is neither void or voidable but is merely unenforceable.

Considerable confusion exists as to what is a guaranty and what is merely a direct promise to pay for goods sold to another. Perhaps the following may help enlighten:

A direct or original promise to pay is a promise without the Statute of Frauds. A collateral promise is not and must comply with the Statute. A promise will be in a legal sense original, and hence it is not necessary to comply with the Statute of Frauds, when for instance, no one but the party whose promise it is becomes bound through the benefit of the consideration is enjoyed or such consideration moves directly to another.

For example, A says sell B goods, and I will pay for them. Here we have A promising to pay and merely designating B to purchase and receive the goods. This is not a guaranty, nor is A a guarantor.

Another example: A says sell B goods and charge to my account. Here we have the same direct and original promise of payment, which, as it is not a guaranty, does not come within the Statute of Frauds.

A collateral promise, and which promise to be binding must comply with the Statute would be as follows:

A says sell B goods, if he does not pay, I will. Here is a collateral promise to pay the debt of another, and is void if the Statute is not complied with.

An International Credit Commission

(Continued from page 7)

through the properly directed activities of such a Commission in synchronizing and stabilizing credit practices and procedure. Such a Commission could and would, through study and investigation, pass on to each country the good things developed by the others.

Modern methods of commutation and travel by land, air and sea, have practically eliminated national boundary lines. It only remains for business men to eliminate them still further by closer international co-operation.

Credit, the mainspring of prosperity, offers the most prolific and at the same time the most sadly neglected avenue for that co-operation.

An International Credit Commission has become a modern business necessity.

The Future of Retail Credit

(Continued from page 15)

as to its effect on public welfare. If there is in the plan some hidden element of unfairness to the public, competing firms will certainly not be loath to public exploitation of other plans that are more socially constructive. Competition thus acts not only as a stimulant towards progress, but also as a check against abuse.

Any move to improve credit conditions in any one community must be genuinely co-operative. Above all and most particularly, there must be no element of compulsion. It is perfectly proper for like minded merchants to work out rules and regulations for handling the exchange of credit information or for guiding the actions that such information should warrant. Never should the attempt be made, however, to impose such regulations upon any one or any group of merchants who are not in accord with the thought that underlies them. This holds true in all fields of mutual endeavor and certainly holds true specifically in the field of credit extension. It would be perfectly possible to develop several credit bureaus in any community, each controlled by and operated for a group of like minded merchants. The duplication of endeavor and expense is so evident, however, that the value of a general credit bureau to act as the central clearing house of information for the entire mercantile community is obvious. Central ownership and central control of such a bureau is an effective assurance of efficiency in its operation. But such ownership and control are a form of trusteeship for all of the merchants and must never be used as a disciplinary whip for the enforcement of any specific credit policy.

There is value in any community credit policy that grows natively out of the cordial co-operation existing among all classes of merchants in any city. Given such happy conditions of co-operation, a great deal of constructive work can be done in the education of the public toward a better performance of their credit obligations. Such campaign of public education, however, must follow education among the merchants themselves. Moreover, it must aim toward the inculcation of the principle that each individual consumer should as a matter of moral responsibility, carry out to the letter the arrangements made with each individual store at the time the obligation was incurred. This is basic not only to the prosperity of the stores, but also to the moral fabric and economic welfare of the nation. It need not, nor should it have anything to do with the question of the terms of the obligations incurred between individual stores and individual customers, but look only to the maintenance of such terms, whatever they may have been.

Back of it all, therefore, we find the same need for genuine co-operation among strongly individualistic competing merchants. The fact that there has been a

striking tendency in this direction, both locally and nationally, for the past decade leads to the confident conclusion that such co-operation will actually come to pass and will be one of the greatest factors for assuring the economic soundness of our future credit conditions. Just what form this co-operation will take cannot be safely prophesied. Certainly, however, we ought to have more thorough and more competent study of all the facts in the case by our schools of business and our departments of commerce. Certainly too, merchants, through their local associations geared up with these outside institutions, will more freely submit all the evidence. Moreover and likewise certainly, our credit bureaus will be geared up to render more effective service to the stores and to supply more complete data for such unbiased analyses.

Once all the facts are assembled, analyzed and presented clearly they will dispel the attempts to control through propaganda or through force and teach their own lessons acceptable to all through that peculiar faculty of judgment that we call common sense. Common sense, supported by common facts commonly known, may well lead us to a common policy. Whether it does or not, however, it will surely lead to a common elimination of those abuses of credit extension that may creep in to endanger our economic structure. Safeguarded against these, full play can be allowed individual initiative in the further development of credit plans and policies that will play a large part in the general problem of making our American system of retail distribution both profitable and economically sound.

The Use of the Central Credit Bureau

(Continued from page 24)

with the fact that credit cannot be wrapped in a parcel and handed out to new customers at a moment's notice. When the principals of stores have this fully brought to their attention, conditions in Credit Departments will be considerably ameliorated because then they can tell new customers that it requires a reasonable time to establish their credit and that every effort will be used to deliver the merchandise at the earliest possible moment. When this is generally the practice the unreasonable demands of the public for instantaneous service on new accounts will be greatly lessened. This will likewise result in relieving the Bureau from most of the urgent, constant demands for speed, and by so relieving us of this stress much better general service can be developed. We bespeak your kind indulgence, and hope that these remarks will bring a clearer realization of the fact that our problems and troubles are synonymous.

What Kind Of A Credit Manager Are You?

(Continued from page 10)

the right and duty of every Credit Executive to so study local conditions that he can properly gauge the inclinations and capacity of the community and sense the right policy to pursue.

"To pay or not to pay"—cash, thirty days or ten to twenty months—that is the question. There are several influencing factors in establishing store policy—labor and industrial conditions, weak or strong local Credit Bureaus and general character of the man who owns the store. You cannot include Los Angeles, St. Louis, Minneapolis, New Orleans, Cleveland and Boston in a set collection result of either forty, fifty, sixty or seventy per cent. The credit man who collects during the month around forty per cent of the total amount of accounts receivables standing out on the first of the month, will tell you he has to do it because of both social and business conditions and that his house is willing to lose money in pursuance of such policy. The credit man who collects seventy per cent of the outstanding accounts receivables, during that month will say—"We, as an active participant in our Credit Bureau, have educated the public slowly but surely to pay promptly and as long as they *all* do it, no one loses."

The type of house, whether popular, exclusive or catering to both also enters into consideration. There is a vanishing point of profit—one where loss begins in collections. A personal conclusion suggests a happy middle ground, fifty to sixty per cent, approximating as nearly as possible a six time yearly turnover. Such an average might lessen the so-called severity, but erroneously so I think, of the high pressured collection processes attached to the sixty-five or seventy per cent result and raise the generous forty per cent method to a higher level and to the general financial good of the community.

Also, do not forget the "youngster" becomes full-grown almost overnight—Deferred Payment. The best thought of today, gathered from many sources, suggests that "long time" should be paid for in a fair carrying charge and that proper protection to the seller and ultimate benefit to the consumer, be assured by obtaining proper equity at time of sale and strict collections—easily possible through departmental diligence and education of the public.

It cannot be too strongly emphasized that the danger in relating "deferred credit" and carrying charges to thirty day credit should be avoided. To make a per cent or flat charge for delayed thirty day credit would result in confusion and a demoralization of credit principles from which extrication would be practically impossible.

Group Research Associations, Conventions and

Conferences are strong factors in progress. The Credit Manager thoroughly conversant with national and local conditions and practices will invoke the law of average and reconcile the gathered facts and statistics to his own store and community.

A full grown Credit Department should be a happy possession. Let's importanize it—lend it to the creation of store sales and service and make it better understood and appreciated in our organization.

With definite policies, economic administration, adequate equipment and personnel, the Credit Executive with a vision can answer the two prefacing questions with pride and profit—the third won't need one.

Why We Are Exploring the Mysteries of Retail Credit

(Continued from page 12)

ings. These returns will be unsigned and we apprehend little difficulty in getting a large cross section of the consuming public.

"The results of this survey will be intensely interesting as they will show whether the use of installment credit is general throughout all classes of the population, whether it is being employed mostly by people of very small or moderate incomes, and to what extent such incomes are mortgaged to the future. The survey is in very capable hands, under the direction of Dr. Wilbur C. Plummer, economist of Philadelphia, who has been a member of the faculty of the University of Pennsylvania since 1921. His research work for the American Academy of Political and Social Science has given him national prominence.

"It is my earnest hope that all classes of the business community will recognize the importance of this movement for better business which has originated within the body of business. We will get a picture from the present questionnaire fairly well filled out for 1927 and in somewhat less detail for 1926 and 1925. The value of the survey, however, in the main will be that of showing us clearly where we stand in credit practices. It will not advise us, except for a very short time, as to the direction in which we are moving.

"This survey must not stop here—it must go on. In some permanent form it should advise us from year to year of any pronounced drift in the direction of increase or decrease in various forms of credit; it should warn us of increasing laxity in collections or encourage us by pointing out general improvements. Our success in asking Congress to appropriate money for the support of this vital work will depend to some extent upon the thorough success of the first survey, which in turn depends upon the active co-operation at present of all elements in the distributing community."

Washington Bulletin, National Retail Credit Association, Jan. 1, 1929

By R. PRESTON SHEALEY, Washington Representative

FOREWORD

The reconvening of Congress on January 3rd, after the holiday recess, found the question of a special session uppermost in the minds of the leaders of both Houses and with just as much uncertainty as ever, notwithstanding the fact that Congress met in the final session of the 70th Congress on December 3, 1928. The President-elect is on his way home from South America and when he arrives in Washington the week of January 7, the atmosphere may be cleared up with a definite statement as to his plans. Boulder Dam, mentioned previously in the Washington Bulletins, has become a law and the thirteen appropriation measures are making rapid progress through Congress, but the Senate Agriculture Committee had not, as of January 3, reported to the Senate its farm relief bill, while on the House side the Committee of that body was simply marking time. It would appear that a farm relief bill minus the equalization fee can be passed in this short session, but if a strong and insistent demand comes from farm relief advocates in Congress that the bill also include revision of certain tariff schedules then a special session is almost inevitable. The House Ways and Means Committee will commence to hold tariff hearings on Monday, January 7. Some of the proponents favoring an extra session are urging that it be limited to certain specific legislation, such as farm relief and tariff revision, thus eliminating the necessity of having Congress form all of its numerous committees. However, there is sure to be objection to such a plan as some seem to feel that if Congress is to sit in an extra session, it should do so with all its committees functioning.

DEPARTMENT OF COMMERCE
Dr. W. C. Plummer reports that

the Credit Survey is making most satisfactory progress and that much valuable information has been obtained from the questionnaires that have been analyzed to date. The debate on the floor of both Houses of Congress during the time the Department of Commerce Appropriation Bill was being considered assures adequate funds for the Bureau of Foreign and Domestic Commerce during the coming fiscal year, since several members voiced their high regard for Dr. Julius Klein, its Director, and the valuable service it is rendering to the nation.

INTERSTATE COMMERCE COMMISSION

In keeping with the announcement made some months ago to the effect that the railroads of the country expected to handle their express business themselves, instead of through the American Railway Express Company, on and after March 1, 1929, at which time the existing contract with the American Railway Express Company expires, and application has just been filed with the Interstate Commerce Commission by the interested carriers for authority to acquire control of the Railway Express Agency, Inc., which corporation will conduct the future express business. Authority was at the same time requested for the issuance of 1,000 shares of capital stock, no par value, and an initial issue of \$35,000,000 debenture bonds. The stock in question is to be sold to the various railroads on a percentage basis proportionate to their present express business at

Mill agent for Nationally known brand of Ladies' Hosiery desires to co-operate with a few selected concerns on a consignment basis. Box 115, Credit World, 1017 Morgan St., St. Louis, Mo.

\$100 a share. The acquisition of the equipment and physical properties of the American Railway Express Company has been set at an approximate cost of \$30,000,000.

FEDERAL TRADE COMMISSION INQUIRIES

(a) Congressional

The Commission is now considering a report on the activities of representative open price trade associations. This report gives the names and approximate number of such associations, and describes general economic significance thereof.

Drafts of the questionnaires to be used in connection with the Chain Stores inquiry are practically completed. The methods of operation of the various chain store or-

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Collection Department of
the Chicago Credit Bureau,
Inc., and Credit Reference
Exchange, Inc.

The Official Credit Reporting
Service of the

Associated Retail Credit
Men of Chicago

35 So. Dearborn St.
Chicago, Ill.

Telephone, Randolph 2400

Credit Reports Collections

ganizations have been obtained. A close study is being made with a view to determining whether any violations of the anti-trust laws or the Federal Trade Commission Act have occurred through consolidations or under competitive conditions.

(b) Commission

Several chapters of the first draft of the Commission's report resulting from its study of Retail Price Maintenance have been written. Tabulation of all data has practically been completed. Analyses of the results obtained from such tables are being prepared with reasonable speed.

The inquiry into the question of Price Bases is progressing slowly, since it is a subject requiring deep study.

COMMISSION'S ORDERS

A recent decision of the Circuit Court of Appeals for the Sixth Circuit reversed an order of the Federal Trade Commission which sought to restrain a concern from committing what the Commission felt were acts of unfair competition. The court in overruling the Commission held that the particular concern in question was within its rights in circulating information received from R. G. Dun & Co. to the effect that a petition of bankruptcy had been filed against one of its competitors, since there is no standard of practice forbidding one from telling the truth, even about a competitor.

An order has just been issued by the Commission directing one of the largest soap manufacturers in the United States to discontinue the use of the word "Castile" and the phrase "olive oil soap" in describing a soap the oil or fatty composition of which is not wholly derived from olives. Under this decision, the manufacturer is permitted, however, to qualify descriptions of soap not sold as "Castile" but containing oils or fats in addition to olive oil. Commissioner Humphrey entered a strong dissenting opinion against the order, declaring the decision would work untold hardships to the do-

mestic soap industry while at the same time help greatly the foreign industry.

MECHANICS' LIEN

Representative Cramton, of Michigan, has just introduced a bill which is of the utmost importance to the contractors and material men of the country doing business with the government, since it revises the general contract laws relating to the government. One of its features is the substitution of a bond instead of any lien provision. The bill, in its present form, represents the views of an inter-departmental committee together with suggestions offered by outside interested parties. When it is considered that the government has contracts amounting to hundreds of millions of dollars annually one can realize the importance of a bill which proposes to change the existing law on the subject. Persons desirous of securing copies of the above bill may obtain same by writing to the Washington representative of the Association.

CASES AND DECISIONS OF INTEREST

(a) Damages—Libel

During the past month a suit was filed in the local Supreme Court which is of particular interest of all credit men. The plaintiff is claiming \$10,000 damages from the defendant by reason of its Credit Manager having written to his employer in an effort to effect the collection of an account due by the plaintiff's wife. Plaintiff alleges he was libeled by this action of the defendant. The progress of this case will be noted and when it is concluded the result will be set out in a subsequent bulletin from the Washington office.

(b) Bankruptcy

The Circuit Court of Appeals for the First Circuit has recently handed down a decision to the effect that a Referee in Bankruptcy may not arbitrarily allow claims of delinquent creditors after the regular meeting of the creditors has been concluded. In the instant case a composition had been offered and a meeting of creditors followed, at

which it was found a majority thereof in number and value were in favor of accepting the compromise.

Subsequently, and before the Referee's report was filed, additional creditors filed claims which were allowed and which made the other creditors in the minority, and caused the Referee to refuse to recommend the composition in question although he did recommend adjudication. Offers of composition can be considered only at a meeting duly called under Section 12 (a) of the Bankruptcy Act, and the first meeting having ended the appearance of the dilatory creditors could not be considered as having been at a regular meeting.

The above Court recently handed down an opinion sustaining a decision of the district court holding that a conveyance of realty to secure loans within four months of bankruptcy was void, even though the loans were negotiated and made a year prior to the adjudication. The trustees in bankruptcy recovered the property on the ground that it was a conveyance made within four months of adjudication. The court in its opinion also held that the issue of the case was a "controversy arising in bankruptcy proceedings" under Section 24 (a) of the Act, and, therefore, the allowance of an appeal was not at the discretion of the appellate court.

(c) Taxation

The same Circuit Court of Appeals in a recent decision overruled the Board of Tax Appeals and held that the taxpayer was entitled to increase its reserve for bad debts during a period of unusual economic conditions in 1921. The court held that the Board was in error in disregarding the conditions of the time and in requiring evidence of experience covering a period of years. The judgment of the taxpayer's officials, the court said, was entitled to be given substantial, if not controlling, weight in deciding as to whether the necessity for an increase reserve existed.

Turn to page 32, please

Flashes

From the National Office

Manager-Treasurer D. J. Woodlock and Secretary G. H. Hulse acknowledge receipt of over six hundred Christmas and New Years cards.

It is an inspiration to know that so many of those we come in contact with during the year, remember us as personal friends.

* * * *

Louis S. Grigsby, Assistant Secretary, Associated Retail Credit Men of Washington, D. C., gave a very interesting talk on "The Value of Retail Credit in Your Christmas Shopping" over Radio Station WMAL, on December 15.

* * * *

Mr. G. Harley Denney, Secretary of the National Federation of Credit Traders, London, advises there has been a phenomenal development in Hire purchase or Installment trading in England during the past year.

* * * *

A large crate of Florida oranges arrived at National Headquarters the day before Christmas, with the compliments of A. E. Dickson of Orlando, Florida. Mr. Dickson insists that Florida has California backed off the map when it comes to oranges.

* * * *

National Director Olin Berry of Knoxville, Tennessee, made a big hit as Chairman of the Santa Claus parade held in Knoxville on December 1. Press reports and letters from leading merchants indicate this feature, which attracted one of the largest crowds ever gathered in the streets of Knoxville, did much to stimulate Christmas shopping and helped the "Do Your Christmas Shopping Early" plan to an extent not known in former years.

Mr. Berry is given credit as being the power behind the Knoxville Journal in making it a huge success.

Representative Andresen has introduced in the Congress, House Bill Number 9838, setting the minimum amount of indebtedness for voluntary bankruptcy at five hundred dollars. This does not include municipal, railroad, insurance or banking corporations, and is aimed at the personal or wage earner bankrupt.

* * * *

Mr. A. B. Sanders, Field Supervisor of the National Retail Credit Association, will leave St. Louis on January 13, to spend two months visiting Credit Bureaus in Oklahoma.

He has recovered from an attack of the "flu," which developed while on a trip to the western coast, and expects his survey of conditions in various sections of the country will

make a very interesting report to our National Convention.

* * * *

There are so many calls for Woodlock and Hulse from all sections of the country, the Board of Directors of the National Retail Credit Association are seriously considering the purchase of an aeroplane to enable these officers to fill all engagements.

* * * *

The Special Finance Committee, appointed at the Kansas City Con-

Turn to page 32, please

RESOLUTIONS ON DEATH OF ROBERT LEE WHITLOW BY NASHVILLE ASSN. OF RETAIL CREDIT MEN

WHEREAS, the hand of death has removed from our midst our beloved friend and associate, Robert Lee Whitlow, and

WHEREAS, he has been a loyal member of the Association of Retail Credit Men, always generous in his gift of time and energy, fraternal in his individual relationships, and faithful in his performance of official duty, and

WHEREAS, we, the members of the Association of Retail Credit Men, wish to commemorate our love and esteem for this, our departed comrade and one time president—be it resolved:

That the Association of Retail Credit Men has sustained a profound loss in his removal from among us,

That his advice and counsel will be missed in our assemblies,

That his friendship and kindly influence will be treasured so long as we shall recall his name in affectionate recollection, and

That a copy of these resolutions be sent to his son in token of our heartfelt sympathy for him in his personal sorrow. May he take comfort from the memory of his many virtues and the knowledge that the good which he gave to others lives on.

W. W. Hardcastle,
R. H. Poindexter,
S. L. Jenkins,
Chairman.

Be it further resolved that a copy of these resolutions be furnished our daily papers and The Credit World.

Nash. Assn. of Retail Cr. Men.

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206 E. Grand River Avenue

Flashes

(Continued from page 31)

vention, will meet in St. Louis, January 14-15-16.

The members of this committee are:

Sidney E. Blandford, Boston, Mass., Chairman.

J. W. Mehling, Baltimore, Md.

G. C. Driver, Cleveland, Ohio.

J. R. Hewitt, Baltimore, Md.

A. D. McMullen, Oklahoma City, Okla.

F. E. Parker, Detroit, Mich.

A. J. Kruse, St. Louis, Mo.

Guy H. Hulse, St. Louis, Mo.

Mr. Irving Brown, of Newark, Chairman of the By-Law Committee; Attorney Lawrence McDaniel, and Manager-Treasurer Woodlock will also be present.

PAY PROMPT CAMPAIGNS

Several Local Associations, who during the past few years have conducted Pay Prompt Campaigns, have asked why the name of their city was omitted from the list published in the December CREDIT WORLD.

The list published was only those cities who had used the mats and copy prepared by our National Pay Promptly Committee, and was taken from a report of the Committee.

There were a number of excellent campaigns conducted independent of the Committee. We hope, however, those contemplating future campaigns will avail themselves of the advice and counsel of the Committee.

Classified Advertisement

A man with ten years' experience in collection work and managing several credit bureaus wishes to locate in the Southwest. Would prefer organizing collection department for a bureau already in operation. Write to Box E, c/o Credit World.

Mr. Sig Wolfort, Credit Manager, Stix, Baer & Fuller D. G. Company, St. Louis, received hundreds of messages of condolence from members of the National Retail Credit Association, because of the death of his mother, Mrs. Peppe Wolfort, on December 7.

Persistent cheerfulness is a sign of wisdom.

Achievement cancels the debt to the past, justifies the present and challenges the future.

They conquer who believe they can.

Some men never hit the mark because they never pull the trigger.

Washington Bulletin

(Continued from page 29)

The Court of Claims has issued a decision to the effect that the exchange of goods for trading coupons constitutes a sale and is therefore subject to an excise tax. The approximate sale value of the articles so exchanged was a proper basis for levy of taxes, the court said.

The Board of Tax Appeals has ruled in a recent case that a taxpayer is entitled to deduct contributions made to an association for the purpose of preventing strikes, on the ground that such contributions constitute a business expense.

A Free Service for Readers of The Credit World

Have You Any Business Problems?

CREDIT WORLD readers will find the advertising pages both interesting and useful. As an additional feature to them the Business Organization Bureau invites without charge, from all interested, requests for information and suggestions helpful in the solution of the many administrative problems continuously facing today's executives; this Bureau will arrange to have our readers supplied with literature dealing with their particular case.

Kindly indicate on the coupon below the particular problem you are interested in, attach to your business letterhead and mail to the Business Organization Bureau of Credit World, 1017 Morgan Street, St. Louis, Missouri.

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- ☐ B-Bond Paper
- ☐ C-Printed Forms
- ☐ D-Lightweight Stationery for Air Mail
- ☐ Steel Storage Equipment
- ☐ A-Lockers
- ☐ B-Shelving
- ☐ C-Cabinets
- ☐ Sectional and Movable Office Partitions
- ☐ A-Wood
- ☐ B-Steel
- ☐ Telegraphic Typewriters
- ☐ Typewriter Copy Holders

Mail to the Business Organization Bureau, Credit World, 1017 Morgan Street, St. Louis, Mo.

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